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RUEHGZ/AMCONSUL GUANGZHOU 1230
RUEHHK/AMCONSUL HONG KONG 9486
RUEHGH/AMCONSUL SHANGHAI 2046
RUEHSH/AMCONSUL SHENYANG 6627
RUEAIIA/CIA WASHDC
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RHHJJAA/JICPAC HONOLULU HI
RUEKJCS/SECDEF WASHINGTON DC
RHHMUNA/USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000636

SIPDIS

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SUBJECT: STRAITS EXCHANGE FOUNDATION CHAIRMAN-DESIGNATE
P.K. CHIANG: FACING NEW CHALLENGES

REF: TAIPEI 00595

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: Kuomintang Vice-Chairman Chiang Pin-kung (P. K. Chiang) is slated to become chairman of the Straits Exchange Foundation (SEF), Taiwan's quasi-official organization for handling relations with mainland China, after President-elect Ma Ying-jeou is inaugurated on May 20. The 76 year old Chiang is widely respected as an experienced economic official with strong business connections, including to the large Taiwan business community in China. At the forefront of the KMT's party-to-party exchanges with the CCP, which began in 2005, he is expected to move quickly to restore SEF's cross-Straits dialogue with the PRC's Association for Relations Across the Taiwan Strait (ARATS), which has been suspended since 1999. The controversial announcement that former pan-Green Taiwan Solidarity Union (TSU) legislator Lai Shin-yuan will head the Mainland Affairs Council (MAC), the government body charged with coordinating cross-Straits policy and overseeing the SEF's work (Reftel), has raised questions about how well the two will be able to work together in advancing Ma's cross-Straits policies. End Summary.

¶2. (SBU) Both the KMT and DPP legislative caucuses have reacted positively to P. K. Chiang's appointment. He has been praised as a good choice because of his previous experience in economic affairs, past contact with Chinese leaders, and extensive ties with the Taiwan business community in China. A non-scientific public opinion poll conducted by the Apple Daily indicated that 70 percent of respondents believed Chiang was an appropriate choice for SEF chairman and that he would advance cross-Straits relations.

¶3. (SBU) An ethnic Taiwanese who received a Ph.D. in agricultural economics from Tokyo University (1971), Chiang is the KMT's senior Japan hand. After serving in commercial and economic postings in Taiwan's missions in Japan and South Africa in his early career, Chiang rose to handle key economic portfolios in the 1990s, serving as Minister of Economic Affairs from 1993-95 and Chairman of the Council for Economic Planning and Development from 1995-2000.

¶4. (C) After the KMT lost power in 2000, Chiang assisted KMT Chairman Lien Chan in promoting KMT-CCP party-to-party

exchanges. As KMT vice chairman, Chiang led a delegation of KMT officials and businessmen to China in March, 2005, then the highest-ranking KMT official to visit the mainland. He signed a "10 point consensus" that focused on expanding business opportunities in China. Prior to the 2005 visit, Chiang had made two other trips to the mainland in a personal capacity in 1995 and 2000. Given charges by some Green supporters that KMT mainlanders might "sell out" Taiwan to China, some argue that Chiang's Taiwanese ethnicity will makes him more acceptable to the Taiwanese majority as the official charged with dealing directly with Beijing.

A Disappointment for Chiang?

15. (C) Chiang reportedly was a top contender for the premiership but lost out to Premier-designate Liu Chao-hsuan because of his age (76) and poor relations with Vice President-elect Vincent Siew. KMT Mainland Affairs Director Chang Jung-kung, who is close to Chiang, told AIT that Chiang had had his heart set on becoming the next premier. Chang acknowledged, however that strained relations between Chiang and Vincent Siew -- the two have been long-time competitors for top economic positions -- had hindered Chiang's candidacy for the premiership. According to other KMT contacts, Chiang's behind-the-scenes lobbying also irritated Ma, further spoiling his chances to be named premier.

The Lai Shin-yuan Appointment

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16. (C) At the time of the announcement of Lai Shin-yuan's appointment as MAC chairperson, Chiang was returning from a trip to thank the Taiwan business community in China for supporting Ma's campaign. Minister of Interior-designate Liao Feng-te told AIT that Chiang was not consulted and was surprised by the Lai decision. Chiang told the Deputy Director on April 29 he had doubts about Lai's ability to manage cross-Straits matters, grousing that her junior status and relative lack of high-level experience in cross-Straits affairs would be liabilities.

17. (C) Nonetheless, possibly with encouragement from Ma, Chiang has publicly praised Lai for her ability and earnestness as a legislator. To calm concerns about possible rifts in the incoming administration and to dampen the sharp criticism of the Lai appointment by some Deep Blue legislators, Chiang and Lai held a joint press conference on April 30. Holding hands, the two sounded harmonious and pledged to work together as a team to implement Ma's policies.

Who's in Charge?

18. (C) Liao Feng-te suggested to AIT that Ma selected Lai to serve as his "bullet-proof helmet" on cross-Straits relations.

The five million-plus supporters who voted for the DPP's Frank Hsieh fear Ma would "sell out" Taiwan, Liao explained, but no one doubts Lai's love for Taiwan. Ma believes her presence at MAC will help ward off deep-Green criticism of his cross-Straits policies. Liao claimed that Lai will hold no real power, however, because P. K. Chiang and the SEF, not MAC, will be conducting actual cross-Straits negotiations. People close to Ma, moreover, stress that cross-Straits policy will be made at the highest level, by Ma in concert with apparent-National Security Council Secretary General Su Chi and VP Vincent Siew.

Curriculum Vitae of Chiang Pin-kung

19. (U) Present Positions: KMT vice chairman, 2003-present; SEF Chairman-designate.

¶10. (U) Previous Positions: KMT at-large Legislator, 2001-2008; Deputy Legislative Yuan Speaker, 2001-2004; Minister without Portfolio and Chairman of the Council for Economic Planning and Development, 1995-2000; Minister of Economic Affairs, 1993-1995; Member, Mainland Affairs Council, 1993-2000; Political Vice Minister of Economic Affairs, 1990-1993; Executive Vice Minister of Economic Affairs, 1989-1990; Director-General, Board of Foreign Trade, Ministry of Economic Affairs (MOEA/BOFT), 1988-1989; Secretary General, China External Trade Development Council, 1983-1988; Deputy Director-General, MOEA/BOFT, 1982-1983; Economic Counselor, ROC Embassy in South Africa, 1979-1981; Commercial Attach, Consulate-General in Johannesburg, 1974-1979; Secretary, Economic Section, Tokyo Office, Taiwan-East Asia Relations Association, 1972-1973; Assistant Commercial Attach, ROC Embassy in Japan, 1967-1972.

¶11. (U) Political Affiliation: Kuomintang Member, KMT Central Committee, 1993-present.

¶12. (U) Education: Ph.D. in Agricultural Economics, Tokyo University, Japan, 1971; B.A., Law and Business College, National Chunghsing University, Taiwan.

¶13. (U) DPOB: December 16, 1932, Nantou County, Taiwan. Family: married to Chen Mei-huey, 3 children. Language Proficiencies: Japanese, near native speaking; English, highly proficient (S-4).
YOUNG